

(CIA HISTORICAL REVIEW PROGRAM
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7 June 1954

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Mr. Holland - 7 June 1954

1. Mr. Holland reported the prepared press conference with the Secretary scheduled for June 8 at which time the Secretary will answer a question on the UFCO which will permit him to say that the Government had endeavored to see that the UFCO-Guatemala financial dispute should be negotiated, but that it was the Guatemalans who did not want the matter to be settled; thus claims that the dispute with Guatemala are based on UFCO matters are false -- the dispute in fact is one with communism and nothing else. Mr. Holland stated that a similar line would be taken in the Secretary's Seattle speech June 9.
2. Mr. Leddy confirmed that he was coordinating the matter of the cables describing documentation on the GENAR arms shipment.
3. Ecuador, it was reported, is likely to oppose the OAS meeting. Means for influencing Ecuador's position were discussed.
4. Mr. Holland discussed the probabilities that the Guatemalan government might, at some time in the near future, attempt to present a case to the Security Council. It was concluded that such an action on their part would not necessarily be damaging because (a) our strength at the UN is sufficient so that on this issue the Guatemalans would find themselves isolated with only Soviet and satellite support, and (b) such a move would enable us to point out that this is a by-passing of and a front to the inter-American system.
5. Mr. Leddy reported that the Department is at this moment working toward action which will result in the separation of Jorge Toriello from his U.S. financial affiliation, particularly Westinghouse.
6. The desirability of Mrs. Roosevelt making a statement on communism in Guatemala was discussed, and it was concluded that a move in this direction should be taken only with the Secretary's foreknowledge and approval.
7. The lack of precise information on the nature of the ALFHEM arms shipment was considered in light of the continuance of the Military Mission to Guatemala. Mr. Holland decided again that a telegram should be sent to Ambassador Peurifoy requesting him to report definitively whether the Military Mission can or cannot supply information on the nature of the arms.

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8. Possible confusions which it was thought could result from the standing CNO directive on the interception of arms-bearing surface traffic were reviewed, and it was concluded that the intention of the language would be enforced and general efficiency improved if it were arranged with the Navy that the Department, rather than CNO, is to designate which ships are "suspect".

9. Mr. Holland, after reviewing a proposed telegram to Bonn, asked Mr. [] whether we would still pick up the check on German flag ships delayed during arms inspection and found to be carrying arms. Mr. [] replied in principle yes, and since it was not appropriate to discuss this matter before the group, conferred with Mr. Leddy, who was advised that he preferred to ascertain whether the Director still favors such support from us before the release of the cable. Mr. Leddy replied that he had discussed the matter with DD/P last week and that DD/P had said all right but that he would prefer to discuss it with the Director. Mr. Leddy and Mr. [] agreed that the cost is likely to become considerable and far beyond the liability resulting from the single case of the WULFSBROOK. It was concluded that before the Agency should agree to be liable for such claims, an understanding should be formalized between the Agency and the Department.

10. With regard to the affecting of the blockade after the OAS Agreement, Mr. Holland pointed out that if we are to interfere with Guatemalan foreign trade, the stopping of American flag vessels will prove more important than interrupting European traffic, and that we shall use as an excuse a search for Communist agents and courier systems. Mr. Holland asked the group to consider developing a formula for this. Subsequently Mr. [] discussed this matter with Mr. Leddy and offered to undertake some research which may produce a factual basis or grounds for laying on such a story.

11. Mr. Holland requested Mr. [] to initiate action vis-a-vis American domestic groups to publicize against the purchase of Guatemalan bananas and coffee. Mr. Holland would use this in connection with his attempts to persuade those countries who are so far reluctant to support the OAS meeting--he would point to a growing pressure for unilateral action and urge the reluctant countries to collaborate with the United States before the domestic pressure should become too heavy. Subsequently Mr. [] urged Mr. Leddy to handle this as an overt measure with American civil groups and suggested that Mr. Holland has ample proof of domestic pressure existing today. It was concluded that Mr. Leddy would only call on the Agency in the event the Department could not make the necessary arrangements.

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